

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY POWER COMPANY)	
)	
_____)	CASE NO. 94-417
)	
ALLEGED VIOLATION OF COMMISSION)	
REGULATION 807 KAR 5:006, SECTION 24)	

O R D E R

On November 22, 1994, the Commission directed American Electric Power Company¹ ("AEP") to appear at a hearing to show cause why it should not be penalized pursuant to KRS 278.990(1) for its alleged violation of Commission Regulation 807 KAR 5:006, Section 24, and to present evidence on the safety and reliability of its Big Sandy Generating Plant's sulfur dioxide system.

Following the commencement of this proceeding, AEP and Commission Staff entered into negotiations to resolve all outstanding issues. On April 15, 1996, they executed a Settlement Agreement. On April 19, 1996, they submitted amendments to this Settlement Agreement. These agreements are appended hereto as Appendices A and B.²

In reviewing this Settlement Agreement, the Commission has considered, inter alia, the circumstances surrounding the May 15, 1994 incident, AEP's efforts to comply with the Commission's safety

¹ On January 1, 1996, Kentucky Power Company began operating under the name "American Electric Power Company."

² Because of their voluminous nature, the exhibits to the Settlement Agreement have not been appended.

regulations and its willingness to improve and enhance its existing safety programs and operations.

After reviewing the Settlement Agreement, as amended, and being otherwise sufficiently advised, the Commission finds that it is in accordance with the law, does not violate any regulatory principle, results in a reasonable resolution of this case, and is in the public interest.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, as amended, is incorporated into this Order as if fully set forth herein.

2. The terms and conditions set forth in the Settlement Agreement, as amended are adopted and approved.

3. Within 10 days of the date of this Order, AEP shall pay to the Commonwealth of Kentucky the sum of Five Hundred (\$500) Dollars. This payment shall be in the form of a cashier's or certified check made payable to "Treasurer, Commonwealth of Kentucky" and shall be mailed or delivered to: Office of General Counsel, Public Service Commission of Kentucky, 730 Schenkel Lane, Post Office Box 615, Frankfort, Kentucky 40602.

4. This case is closed and shall be removed from the Commission's docket.

Done at Frankfort, Kentucky, this 7th day of May, 1996.

PUBLIC SERVICE COMMISSION

Linda K. Breadhoff
Chairman

E. J. [Signature]
Vice Chairman

Robert M. Davis
Commissioner

ATTEST:

Don Mills
Executive Director

APPENDIX A

AN APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION OF
KENTUCKY IN CASE NO. 94-417 DATED MAY 7, 1996

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 15 2 03 PM '96

In the Matter of:

KENTUCKY POWER COMPANY

ALLEGED VIOLATION OF COMMISSION
REGULATION 807 KAR 5:006, SECTION 24

PUBLIC SERVICE
COMMISSION

CASE NO.
94-417

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered this 15th day of April 1996, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and KENTUCKY POWER COMPANY d/b/a AMERICAN ELECTRIC POWER COMPANY ("AEP").

WITNESSETH:

THAT, WHEREAS, the Commission Staff issued an Electrical Utility Accident Investigation Report dated June 28, 1994 ("Investigation Report") detailing its investigation of an incident which occurred on May 15, 1994 at AEP's Big Sandy Generating Station in Louisa, Kentucky; and,

WHEREAS, Commission Staff in its Investigation Report found that AEP failed to comply with its internal procedures at the time of the incident and that this failure constituted a probable violation of Public Service Commission Regulation 807 KAR 5:006, Section 24; and,

WHEREAS, on November 22, 1994, the Public Service Commission found that prima facie evidence existed that AEP had failed to comply with Public Service Commission Regulation 807 KAR 5:006, Section 24, and that further investigation of the sulfur dioxide system at AEP's Big Sandy Generating Station was required; and,

WHEREAS, on November 22, 1994, the Public Service Commission ordered AEP to show cause why it should not be subject to the penalties of KRS 278.990 for its alleged violation of Commission Regulation 807 KAR 5:006, Section 24, and to present evidence on the safety and reliability of Big Sandy Generating Plant's sulfur dioxide system; and,

WHEREAS, AEP and Commission Staff stipulate that:

1. On May 15, 1994, Ronnie Oney, Gary Hartman, Michael Rowh, Eric Jackson and Russell Modesitt, employees of Master Mechanical Insulation, were exposed to a sulfur dioxide gas release at AEP's Big Sandy Generating Station in Louisa, Kentucky.
2. The sulfur dioxide release occurred as a result of an equipment failure.
3. At the time of the May 15, 1994 incident, AEP had established and placed into effect certain internal procedures regarding the unloading of sulfur dioxide. A copy of these procedures is attached as Exhibit 1.
4. After the May 15, 1994 incident, Commission Staff investigated the incident and prepared a report of its investigation. A copy of this report is attached as Exhibit 2.
5. If a hearing were held in this matter, AEP witnesses would testify that, since the May 15, 1994 incident, AEP has taken the following actions at its Big Sandy Generating Station:
 - a. On November 20, 1995, AEP issued Purchase Order No. 25406-031-5X to Chemithon for installation of a molten sulfur

burn system which produces sulfur trioxide from solid (nongaseous) sulfur to replace its current sulfur dioxide/sulfur trioxide system.

b. AEP has installed a sulfur dioxide detection system that would alert by warning sound and light all persons in the vicinity of the transfer point of any leak in the sulfur dioxide system. Mine Safety Appliances Company manufactured the sulfur dioxide detection system. A copy of the instruction manual for these monitors is attached as Exhibit 3.

c. AEP has posted signs on all doors and gateways leading to the sulfur dioxide unloading facility when sulfur dioxide unloading occurs. Photographs of these signs are attached as Exhibits 4A, 4B and 4C.

d. A map which indicates the location of all warning signs and sulfur dioxide detectors is attached as Exhibit 5.

e. AEP has required contractors to attest that they have informed all of their employees of the contents of the Contractor Safety and Health Guidelines and Checklist, a copy of which is attached as Exhibit 6. The contractor Safety and Health Guidelines and Checklist evacuation routes in the event of a sulfur dioxide gas emission.

f. AEP now schedules sulfur dioxide unloading activities during evening hours when fewer AEP and contractor personnel are present at the Big Sandy Generating Station.

WHEREAS, AEP and Commission Staff desire to settle the issues raised by this proceeding.

NOW, THEREFORE, AEP and Commission Staff agree that:

1. AEP shall convert the current sulfur dioxide/sulfur trioxide system to a molten sulfur burn system which produces sulfur trioxide from solid (nongaseous) sulfur by December 31, 1996.

2. Within 10 days of after the entry of an Order approving this Settlement Agreement, AEP shall pay to the Commonwealth of Kentucky the sum of Five Hundred (\$500) Dollars. This payment shall be in the form of a cashier's or certified check made payable to "Treasurer, Commonwealth of Kentucky" and shall be mailed or delivered to: Office of General Counsel, Public Service Commission of Kentucky, 730 Schenkel Lane, Post Office Box 615, Frankfort, Kentucky 40602.

3. This Settlement Agreement resolves all issues arising out of the May 15, 1994 incident.

4. This Agreement is subject to the acceptance of and approval by the Public Service Commission.

5. If the Public Service Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during settlement negotiations shall be binding on either signatory.

6. If the Public Service Commission accepts and adopts this Settlement Agreement in its entirety and enters an order in this proceeding to that effect, AEP shall not apply for rehearing in this proceeding nor bring an action for review of that order.

7. AEP does not acknowledge the Public Service Commission's jurisdiction over safety issues and expressly reserves the right to contest the Public Service Commission's jurisdiction over safety issues in future proceedings.

8. Nothing contained herein shall be construed as an admission of a violation of any Public Service Commission regulation nor shall the Public Service Commission's acceptance of this agreement be construed as a finding of a violation of a Public Service Commission regulation.

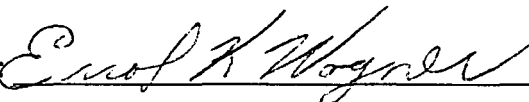
IN WITNESS WHEREOF, AEP and Commission Staff have executed this Settlement Agreement the day and year first above written by and through their duly authorized attorneys.

STAFF OF PUBLIC SERVICE COMMISSION OF
KENTUCKY

BY: 

TITLE: Staff Attorney

KENTUCKY POWER COMPANY
d/b/a AMERICAN ELECTRIC POWER

BY: 

TITLE: Assistant Secretary

APPENDIX B

AN APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION OF
KENTUCKY IN CASE NO. 94-417 DATED MAY 7, 1996

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY POWER COMPANY)	
)	
_____)	CASE NO.
)	94-417
ALLEGED VIOLATION OF COMMISSION)	
REGULATION 807 KAR 5:006, SECTION 24)	

AMENDED SETTLEMENT AGREEMENT

This AMENDED SETTLEMENT AGREEMENT is made and entered this 19th day of April 1996, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and KENTUCKY POWER COMPANY d/b/a AMERICAN ELECTRIC POWER COMPANY ("AEP").

1. Stipulation 5e of the Settlement Agreement of April 15, 1996 is amended to read:

AEP has required contractors to attest that they have informed all employees of the contents of the Contractor Safety and Health Guidelines and Checklist, a copy of which is attached as Exhibit 6. The Contractor Safety and Health Guidelines and Checklist contains, inter alia, the evacuation routes in the event of a sulfur dioxide gas emission.

2. Stipulation 5f of the Settlement Agreement of April 15, 1996 is amended to read:


AEP now schedules sulfur dioxide unloading activities during hours (evenings and weekends) when fewer AEP and

contractor personnel are present at the Big Sandy
Generating Station.

3. All other provisions of the April 15, 1996 Settlement Agreement remain
in effect and are affirmed by the signatories to this Amended Settlement Agreement.


IN WITNESS WHEREOF, AEP and Commission Staff have executed this
Amended Settlement Agreement the day and year first above written by and through
their duly authorized attorneys.

STAFF OF PUBLIC SERVICE COMMISSION
OF KENTUCKY

BY: 

TITLE: Staff Attorney

KENTUCKY POWER COMPANY
d/b/a AMERICAN ELECTRIC POWER

BY: 

TITLE: ATTORNEY